

Message Text

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ACTION DLOS-09

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CEQ-01 CG-00 CIAE-00 COME-00 DODE-00 DOTE-00

EB-08 EPA-04 SOE-02 DOE-15 FMC-02 TRSE-00 H-02

INR-10 INT-05 JUSE-00 L-03 NSAE-00 NSC-05 NSF-02

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FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 8973

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TAGS: PLOS

SUBJECT: REUTERS REPORT ON US REVENUE SHARING POSITION

REF: STATE 104517

1. THE STATEMENT THAT "US IS PREPARED TO GIVE THE REST OF THE WORLD, PARTICULARLY DEVELOPING COUNTRIES, HALF THE PROFITS MADE BY US COMPANIES MINING BENEATH THE WORLD'S OCEANS..." NEEDS FURTHER ELABORATION TO BE COMPLETELY ACCURATE.

2. IT IS POSSIBLE THAT PROFIT-SHARING PAYMENTS TO THE AUTHORITY BY PRIVATE MINERS COULD APPROACH AN OVERALL RATE OF 50 PERCENT UNDER PROPOSALS WE ARE NOW CONSIDERING PUTTING FORWARD IF THE MINING IS HIGHLY PROFITABLE AND THE FIRM HAS RECOVERED ITS INVESTMENT COSTS. BECAUSE THESE ARE PROGRESSIVE TAX-TYPE PROPOSALS, THE OVERALL LEVEL OF PROFIT SHARING WILL PROBABLY BE SOMEWHAT LOWER.

3. THE 3.75 PERCENT FIGURE COMES FROM OUR LEGISLATIVE UNCLASSIFIED

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PROPOSAL. WE HAVE AS YET PROPOSED NO ROYALTY PERCENTAGE IN UNCLOS. MOREOVER, THE US OPPOSES SIMPLY ADDING ONE TYPE OF FINANCIAL OBLIGATION, SUCH AS PROFIT SHARING, ON TOP OF ANOTHER TYPE OF FINANCIAL OBLIGATION, SUCH AS ROYALTIES. ALSO, THE 3.75 PERCENT REFERS NOT TO "MARKET VALUE" OF FINISHED METALS, BUT ONLY TO THE VALUE ADDED TO THE NODULES BY THE MINING PROCESS, WHICH OUR PROPOSAL

DEEMED TO BE 20 PERCENT OF THE REVENUE DERIVED FROM THE SALE OF THE FINISHED METALS.

4. THE US COULD ACCEPT A NET PROFIT FORMULA WHICH WOULD GO UP TO 50 PERCENT ONLY AS PART OF AN OVERALL FINANCIAL PACKAGE AND REVENUE SHARING SCHEME WHICH CONTAINED THE FOLLOWING ELEMENTS:--REVENUE SHARING MUST BE LIMITED TO THE PROFITS FROM MINING, THUS EXCLUDING, REPEAT EXCLUDING, THE PROFITS FROM TRANSPORTATION AND PROCESSING.

-- ALL MINERS, INCLUDING THE ENTERPRISE OR OPERATING ARM OF THE AUTHORITY, MUST HAVE THE SAME OVER-ALL LEVEL OF REVENUE SHARING IMPOSED ON THEM.

-- THE OVER-ALL LEVELS OF REVENUE SHARING MUST ALLOW THE PAYMENT OF NATIONAL TAXES AND A RATE OF RETURN WHICH IS COMPETITIVE VIS-A-VIS INVESTMENTS IN LAND-BASED MINING OR OTHER HIGH RISK VENTURES.

-- AFTER ALLOWANCE FOR INVESTMENT RECOVERY AND AFTER THE OPERATOR HAS ACHIEVED A MINIMUM COMPETITIVE RATE OF RETURN, THE AUTHORITY WOULD RECEIVE A SHARE OF NET PROFITS. INITIALLY, THE AUTHORITY WOULD BE ENTITLED TO ONLY A LOW LEVEL OF REVENUE SHARING. IF THE MINER'S RATE OF RETURN INCREASES, THE AUTHORITY'S SHARE OF NET PROFITS COULD INCREASE, POSSIBLY REACHING 50 PERCENT OR MORE.

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5. THE US DELEGATION BELIEVES THAT THE APPROACH OUTLINED ABOVE IS INDICATIVE OF THE MODERN APPROACH TO REVENUE SHARING FROM MINING INCOME NOW BEING USED IN MINING CONTRACTS AROUND THE WORLD. THIS REVENUE SHARING APPROACH CREATES AN EQUITABLE SYSTEM OF SHARING BOTH THE PROFITS AND THE RISKS OF SEABED MINING BETWEEN THE MINERS AND THE AUTHORITY. RICHARDSON

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